

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 15, 2019
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Chee Thao Yang

| | |
|---|---|
| Applicant: | City of San Jose |
| Allocation Amount Requested: | Tax-exempt: \$16,000,000 |
| Project Information: | Name: Palm Court Apartments Project Address: 1200 Lick Avenue Project City, County, Zip Code: San Jose, Santa Clara, 95100 |
| Project Sponsor Information: | Name: Palm Court San Jose, LP (Palm Court San Jose, LLC) Principals: Mary Murtagh, Laura Hall, Kevin, Carney, Marian Gushiken, Cathy Macy, Welton Jordan and Dave Egan Property Management Company: EAH, Inc. |
| Project Financing Information: | Bond Counsel: Kutak Rock LLP Private Placement Purchaser: MUFG Union Bank, N.A. Cash Flow Permanent Bond: Not Applicable Public Sale: Not Applicable Underwriter: Not Applicable Credit Enhancement Provider: Not Applicable Rating: Not Applicable TEFRA Noticing Date: February 20, 2019 TEFRA Adoption Date: March 25, 2019 |
| Description of Proposed Project: | State Ceiling Pool: General Total Number of Units: 66 Manager's Units: 1 Unrestricted Type: Acquisition and Rehabilitation Population Served: Senior Citizens |

Palm Court Apartments is an existing project located in San Jose on a 1.3-acre site. The project consists of 65 restricted rental units and 1 unrestricted managers' unit. The project has 65 one-bedroom units and 1 two-bedroom unit that will be the manager unit. The renovations will include building exterior and interior upgrades. Building exterior renovations will consist of repairs to the irrigation system, selective landscape repairs, repair or replacement of private patio fencing and anticipated painting for the exterior. Interior renovations will include repair or replacement of damaged pipes. Individual apartment units will be updated with flooring upgrades, cabinets, countertops, new appliances and new HVAC. Lastly, common or site area renovations will consist of mobility upgrades. The rehabilitation is expected to begin in September 2019 and be completed in July 2020.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (65 units) restricted to 50% or less of area median income households.
0% (0 units) restricted to 60% or less of area median income households.
Unit Mix: 1 & 2 bedrooms

The proposed project will not be receiving service amenity points.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

| | | | |
|---|----|------------|--|
| Estimated Total Development Cost: | \$ | 23,883,692 | |
| Estimated Hard Costs per Unit: | \$ | 76,811 | (\$5,069,531 /66 units including mgr. unit) |
| Estimated per Unit Cost: | \$ | 361,874 | (\$23,883,692 /66 units including mgr. unit) |
| Allocation per Unit: | \$ | 242,424 | (\$16,000,000 /66 units including mgr. unit) |
| Allocation per Restricted Rental Unit: | \$ | 246,154 | (\$16,000,000 /65 restricted units) |

| Sources of Funds: | Construction | Permanent |
|----------------------------|----------------------|----------------------|
| Tax-Exempt Bond Proceeds | \$ 16,000,000 | \$ 3,216,000 |
| LIH Tax Credit Equity | \$ 64,352 | \$ 8,228,730 |
| Deferred Costs | \$ 876,894 | \$ 0 |
| Sponsor Loan | \$ 0 | \$ 5,353,237 |
| Net Income From Operations | \$ 0 | \$ 143,279 |
| City of San Jose | \$ 4,583,457 | \$ 4,583,457 |
| GP Recontributed Fee | \$ 1,702,691 | \$ 1,702,691 |
| Existing Project Reserves | \$ 656,298 | \$ 656,298 |
| Total Sources | \$ 23,883,692 | \$ 23,883,692 |

| Uses of Funds: | |
|---|----------------------|
| Land Cost/Acquisition | \$ 11,000,000 |
| Rehabilitation | \$ 5,300,690 |
| Relocation | \$ 749,344 |
| Contractor Overhead & Profit | \$ 130,243 |
| Architectural Fees | \$ 318,761 |
| Survey and Engineering | \$ 73,832 |
| Construction Interest and Fees | \$ 1,499,185 |
| Permanent Financing | \$ 43,481 |
| Legal Fees | \$ 115,000 |
| Reserves | \$ 225,432 |
| Appraisal | \$ 27,500 |
| Hard Cost Contingency | \$ 814,640 |
| Other Project Costs (Soft Costs, Marketing, etc.) | \$ 699,471 |
| Developer Costs | \$ 2,886,113 |
| Total Uses | \$ 23,883,692 |

Analyst Comments:

None

Legal Questionnaire:

The Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed to question the financial viability or legal integrity of the Applicant.

Total Points:

49 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$16,000,000 in tax-exempt bond allocation.

ATTACHMENT A

EVALUATION SCORING:

| Point Criteria | Maximum Points Allowed for Non-Mixed Income Projects | Maximum Points Allowed for Mixed Income Projects | Points Scored |
|--|--|--|---------------|
| Preservation Project | 20 | 20 | 0 |
| Exceeding Minimum Income Restrictions: | 35 | 15 | 35 |
| Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project] | [10] | [10] | 8.6 |
| Large Family Units | 5 | 5 | 0 |
| Leveraging | 10 | 10 | 0 |
| Community Revitalization Area | 5 | 5 | 0 |
| Site Amenities | 10 | 10 | 5 |
| Service Amenities | 10 | 10 | 0 |
| New Construction or Substantial Renovation | 10 | 10 | 0 |
| Sustainable Building Methods | 10 | 10 | 0 |
| Forgone Eligible Developer Fee (Competitive Allocation Process Only) | 10 | 10 | N/A |
| Minimum Term of Restrictions (Competitive Allocation Process Only) | 10 | 10 | N/A |
| Negative Points (No Maximum) | -10 | -10 | 0 |
| Total Points | 140 | 120 | 48.6 |